

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
August 23, 2011**

1. CALL TO ORDER & ROLL CALL

Rohimah Moly, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 11:04 a.m.

Members Present: Rohimah Moly for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director Department of Finance

Staff Present: Michael Paparian, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Moly asked if there were any questions or comments concerning the July 26, 2011 meeting minutes. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian stated that CPCFA relies heavily on the analysts in all of its programs. In the Bond Program, all analysts are expected to understand the nuances of indentures, loan agreements, bond purchase agreements and other documents while helping assure that the interests of the State and the applicant for the bonds are protected. Mr. Paparian acknowledged CPCFA's lead bond analyst, Deanna Hamelin, for her hard work, her willingness to accept responsibilities and her contagious cheerfulness.

Mr. Paparian reported that last week the Internal Revenue Service (IRS) released revised regulations pertaining to the tax-exempt financing of solid waste and recycling facilities. The new rules provide a number of important clarifications, including many benefiting recycling.

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The IRS has been working on these rules for about a decade. It released the most recent version for comment in 2009. CPCFA was the only issuer in the country to provide substantive comments and the IRS acted favorably regarding many CPCFA comments.

Mr. Paparian stated that one of the biggest items in the new regulations is the elimination of the “no-value” test. Previously, a recycling facility had to demonstrate that the incoming material had no value, even if it was a waste product being used as feedstock for new products such as waste paper. The new rules eliminate this test and thus make it easier to finance recycling facilities. The new regulations also explicitly recognize animal waste as a waste product, making it easier to finance biomass related facilities.

Mr. Paparian gave the Board an overview of CPCFA’s Annual Report for its Sustainable Communities Grant and Loan Program (SCGL).

Legislation enacted in 2000 authorized the creation of a program to assist cities and counties in their community planning and development efforts. In response to this legislation, CPCFA implemented the SCGL program. The program was extended a couple of times, ultimately resulting in authorizing CPCFA to use up to \$7.5 million in fee-derived funds. The SCGL program sunsets on January 1, 2012.

The SCGL program was designed to be flexible and encourage creativity. Funding has been awarded to communities that are implementing policies, programs and projects using sustainable development principles. It has been one of the few environmental funding programs for localities that allows for planning grants as well as other project related assistance.

In 2002, the Authority approved \$4,161,558 in funding for a total of fourteen projects. These projects are listed in attachment A of the Annual Report. There were a variety of projects throughout the state that benefited from that funding cycle.

In 2007, the Authority solicited proposals and received 68 applications for another funding cycle. In October of 2007, the Authority awarded grant funding totaling \$2,423,512 for seven new projects. These projects are currently in various stages of development and are described in more detail in the report.

Mr. Paparian stated that current projects include funds for planning and development of the Brickyards in Compton, sustainability enhancements to the Cornfields/Arroyo Seco site in Los Angeles, environmental and sustainability improvements to the Barrio Logan Community project in the San Diego area. Other projects include the cleaning up of a brownfield and creation of the first community-sized park in the Ashland area of San Leandro and the development of innovative water conservation strategies in the water-constrained community of Willits, as well as other projects described in the Annual Report.

The projects funded by the SCGL program have been innovative, important and very helpful to the state. Mr. Paparian stated that he enjoyed overseeing the program. Unfortunately, when CPCFA evaluated the long term financial situation, it was realized that CPCFA does

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not have the resources to continue the SCGL program; therefore, staff did not seek to extend the sunset date or increase the spending authority for SCGL. CPCFA will continue to reimburse localities for work on projects from the last funding round, but the program will be phased out in the coming months.

Mr. Paparian is required to inform the Board when he uses his delegated authority for certain bond related actions. He did so four times this month, including:

- Two separate actions to change the Remarketing Agent from W.R. Taylor to Frazer Lanier for:
 - Vanderham Family Trust Koetsier & Sons Dairy Project Series 2003
 - Vanderham Family Trust J & D Wilson & Sons Dairy Project Series 2004
- Amending the Loan Agreement and Supplement to Trust Indenture to allow for Fitch Ratings to rate the bonds on the Bos Farms Project Series 2001A.
- Approving a supplement to the Trust Indenture to deliver an alternate Letter of Credit (LOC) and Confirming LOC on the Milk-Time Dairy Series 2002A.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Pioneer Recyclers, LLC

Presented by: Alejandro Ruiz, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$19,000,000 to finance the acquisition of waste collection vehicles and containers in addition to improvements to and equipping of a Nevada County owned transfer station.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST TO APPROVE AMENDMENT OF TAX-EXEMPT VOLUME CAP ALLOCATION RESOLUTION

1) Bay Counties Waste Services, Inc. dba Specialty Solid Waste & Recycling

Presented by: Jayme Feldmann, Analyst

Staff introduced Mark A. Holmstedt of Westhoff, Cone & Holmstedt.

Staff requested approval of an amendment to a Volume Cap Allocation Resolution. Bay Counties Waste Services, Inc. dba Specialty Solid Waste & Recycling and/or its Affiliates received \$20,250,000 in allocation from the CPCFA Board on July 26, 2011. On August 10, 2011, the company issued bonds for \$20,100,000 of the \$20,250,000 allocated. The amount was reduced because the overall cost of the project was lower than what was previously predicted.

CPCFA is bound by the State's allocation rules when it accepts allocation from the California Debt Limit Allocation Committee (CDLAC). Pursuant to CDLAC's statute, the performance deposit of an applicant must be forfeited in proportion to the amount of allocation awarded but not actually issued. CPCFA staff consulted with CDLAC and determined that to avoid a forfeit, staff recommends amending the current Volume Cap Allocation Resolution for the Company to reflect the actual amount used—\$20,100,000.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

C. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE BONDS

1) Southern California Edison Company (SCE)

Presented by: Deanna Hamelin, Analyst

Staff introduced George Tabata, Southern California Edison.

The company is seeking to refund the outstanding tax-exempt revenue bonds, Series 1999 C, which total \$30,000,000 and were issued pursuant to a September 1, 1999 Loan Agreement between CPCFA and SCE.

The 1999 Bonds were issued by CPCFA for the purpose of refunding 1988 Series A Pollution Control Revenue Bonds that were issued to finance the costs of certain facilities to dispose of sewage at the San Onofre Nuclear Generating Station

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(SONGS) located in San Diego County.

Staff recommended approval of a Final Resolution for SCE for an amount not to exceed \$30,000,000.

Ms. Moly asked if there were any questions or comments from the Board or public.

Mr. Gordon asked what SCE's long term plan is for disposing of the waste from SONGS.

Mr. Tabata stated that the Department of Energy (DOE) has an obligation to find a facility for long-term storage of nuclear waste.

He further stated that SCE built on-site storage, called dry cask storage, and he believes that is what all utilities in the country are currently using until there is a permanent solution.

Mr. Gordon asked if one were to look at SCE's dry cask containment facility how would it compare to the containment facility at the Japanese plant.

Mr. Tabata stated that he did not believe that Japan has dry cask storage. Their design was very different from dry cask storage.

Mr. Gordon asked what the status of SONGS license is at this point in time and about the renewal date.

Mr. Tabata referred to Michael Henry, Senior Attorney to SCE, who stated that the license renewal date is 2022.

Mr. Gordon asked if there are two reactors at SONGS right now and is one shut down.

Mr. Tabata stated that Unit 1 has been decommissioned and Units 2 and 3 are still in operation.

Ms. Moly asked if there were any further comments from the Board, or the public. There were none.

Ms. Moly asked if there was a motion.

Mr. Gordon moved approval of the item; upon a second, the item was unanimously approved.

5. PUBLIC COMMENT

Ms. Moly asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:20 a.m.

Respectfully submitted,

Michael Paparian
Executive Director